

For general information regarding sales by exempt organizations, see the Department's regulation, "Persons Engaged in Nonprofit Service Enterprises and in Similar Enterprises Operated as Businesses, and Suppliers of Such Persons" at 86 Ill. Adm. Code 130.2005. Also see the Department's letters on exempt organizations. (This is a GIL.)

April 26, 2006

Dear Xxxxx:

This letter is in response to your letter dated May 31, 2005, in which you request information. We apologize for the delay in responding. The Department issues two types of letter rulings. Private Letter Rulings ("PLRs") are issued by the Department in response to specific taxpayer inquiries concerning the application of a tax statute or rule to a particular fact situation. A PLR is binding on the Department, but only as to the taxpayer who is the subject of the request for ruling and only to the extent the facts recited in the PLR are correct and complete. Persons seeking PLRs must comply with the procedures for PLRs found in the Department's regulations at 2 Ill. Adm. Code 1200.110. The purpose of a General Information Letter ("GIL") is to direct taxpayers to Department regulations or other sources of information regarding the topic about which they have inquired. A GIL is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120. You may access our website at www.ILTAX.com to review regulations, letter rulings and other types of information relevant to your inquiry.

The nature of your inquiry and the information you have provided require that we respond with a GIL. In your letter you have stated and made inquiry as follows:

The purpose of this letter is to confirm my understanding that the CHURCH does not need to register with the Department of Revenue or collect sales tax for the ministry outreach program.

The church is initiating a new ministry program to assist youth in our church and to actively touch those who might not be involved in a local church. This new ministry desires to impact lives for Jesus Christ in two ways. First, ensuring that youth members understand God's plan of salvation through faith in Jesus Christ. Second, assisting youth members to live in a manner pleasing to God. Consequently, the goal of the karate program is to teach the martial arts to youth including the underprivileged while emphasizing Christian principles and values to combat juvenile delinquency and to foster discipline, self-respect, self-confidence and good citizenship. During each karate class, the church will present a key spiritual, biblical or life principle for approximately ten minutes.

Although there will be dues for each youth member, participation in the church's program is available to all youth in the area regardless of the ability to pay dues. In hardship circumstances, membership dues can be waived, reduced or exchanged for community service projects. Because karate is a physical contact sport, the church will

strongly recommend that the youth members obtain and use safety equipment. For their convenience, karate uniform and safety equipment can be purchased from the church. All monies received from the sale of these items will be used by the church for the youth program. All leaders of the program are volunteers.

Based on my explanation of the church's karate outreach program, it was your opinion that our church does not need to collect sales tax from the youth.

Thank you for your assistance in this matter.

DEPARTMENT'S RESPONSE

For general information regarding sales by exempt organizations, we refer you to the Department's regulation, "Persons Engaged in Nonprofit Service Enterprises and in Similar Enterprises Operated as Businesses, and Suppliers of Such Persons" at 86 Ill. Adm. Code 130.2005. You may also want to review the Department's letters on this subject.

The "Sales to Members" exemption found at 86 Ill. Adm. Code 130.2005(a)(2) is limited to sales by an exclusively religious, educational or charitable organization that are made *primarily for the purposes of the selling organization* to its members, or students in the case of a school. Please note the population to which sales are made is limited to persons specifically associated with that exempt organization and must be for the primary purpose of the selling organization. If such sales are made to the public at large, the selling activity is subject to the Retailers' Occupation Tax. See Section 130.2005(a)(2) through (a)(4). Whether the sales are for the primary purpose of the selling organization depends on the nature of the tangible personal property sold and how that tangible personal property is used. If an organization sells literature or other items of tangible personal property that would place them in competition with religious bookstores, the sales generally would not be primarily for the purpose of the selling organization. However, sales of choir robes or like tangible personal property to members would generally be primarily for the purpose of the selling organization. It is important that these organizations not be cavalier in determining the nature of their sales.

If you require additional information, please visit our website at www.ILTAX.com or contact the Department's Taxpayer Information Division at (217) 782-3336. If you are not under audit and you wish to obtain a binding PLR regarding your factual situation, please submit a request conforming to the requirements of 2 Ill. Adm. Code 1200.110 (b).

Very truly yours,

Martha P. Mote
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